



BILLING CODE: 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

[A-570-900]

Diamond Sawblades and Parts Thereof from the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review and Intent to Rescind Review in Part

AGENCY: Import Administration, International Trade Administration, Department of Commerce

SUMMARY: In response to timely requests, the Department of Commerce (the Department) is conducting an administrative review of the antidumping duty order on diamond sawblades and parts thereof (diamond sawblades) from the People's Republic of China (PRC). The period of review (POR) is January 23, 2009, through October 31, 2010. We have preliminarily determined that sales have been made below normal value by the companies subject to individual examination in this review.

We invite interested parties to comment on these preliminary results. Parties who submit comments in this review are requested to submit with each argument (1) a statement of the issue and (2) a brief summary of the argument.

EFFECTIVE DATE: [Insert date of publication in the *Federal Register*.]

FOR FURTHER INFORMATION CONTACT: Jerrold Freeman or Yang Jin Chun, AD/CVD Operations, Office 1, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482-0180 and (202) 482-5760, respectively.

## Background

On November 4, 2009, the Department published in the *Federal Register* an antidumping duty order on diamond sawblades from the PRC. *See Diamond Sawblades and Parts Thereof From the People's Republic of China and the Republic of Korea: Antidumping Duty Orders*, 74 FR 57145 (November 4, 2009). On November 1, 2010, the Department published in the *Federal Register* a notice of opportunity to request an administrative review of the order. *See Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity To Request Administrative Review*, 75 FR 67079 (November 1, 2010).

On December 28, 2010, based on timely requests for an administrative review, the Department published in the *Federal Register* a notice of initiation of an administrative review of the antidumping duty order on diamond sawblades from the PRC. *See Initiation of Antidumping and Countervailing Duty Administrative Reviews and Request for Revocation in Part*, 75 FR 81565 (December 28, 2010) (*Initiation Notice*).

Consistent with our determination in *Final Determination of Sales at Less Than Fair Value and Final Partial Affirmative Determination of Critical Circumstances: Diamond Sawblades and Parts Thereof from the People's Republic of China*, 71 FR 29303 (May 22, 2006), and the accompanying Issues and Decision Memorandum (I&D Memo) (*LTFV Final*) at Comment 5, we solicited comments from interested parties concerning whether to change in this review the physical characteristics we use to identify the various products covered by this order. *See* the letter to all interested parties dated February 17, 2011. After reviewing the parties' comments, we decided to continue relying on the physical characteristics used in the investigation. *See* the memorandum entitled "Diamond Sawblades and Parts Thereof from the People's Republic of China: Physical Characteristics" dated April 8, 2011.

On February 18, 2011, we selected Advanced Technology & Materials Co., Ltd. (ATM), Beijing Gang Yan Diamond Products Co. (BGY), and Cliff International Ltd. (Cliff) (treated as a single entity in the investigation) and Weihai Xiangguang Mechanical Industrial Co., Ltd. (Weihai), for individual examination in this review. *See* the memorandum entitled “Diamond Sawblades and Parts Thereof from the People’s Republic of China: Selection of Respondents for Individual Examination” dated February 18, 2011 (Respondent Selection Memo).

We extended the due date for the preliminary results of review by 120 days to November 30, 2011. *See Diamond Sawblades and Parts Thereof From the People’s Republic of China: Extension of Time Limit for Preliminary Results of Antidumping Duty Administrative Review*, 76 FR 41759 (July 15, 2011), and *Diamond Sawblades and Parts Thereof From the People’s Republic of China: Extension of Time Limit for Preliminary Results of Antidumping Duty Administrative Review*, 76 FR 64896 (October 19, 2011).

We are conducting this review in accordance with section 751 of the Tariff Act of 1930, as amended (the Act).

#### Scope of the Order

The products covered by the order are all finished circular sawblades, whether slotted or not, with a working part that is comprised of a diamond segment or segments, and parts thereof, regardless of specification or size, except as specifically excluded below. Within the scope of the order are semifinished diamond sawblades, including diamond sawblade cores and diamond sawblade segments. Diamond sawblade cores are circular steel plates, whether or not attached to non-steel plates, with slots. Diamond sawblade cores are manufactured principally, but not exclusively, from alloy steel. A diamond sawblade segment consists of a mixture of diamonds (whether natural or synthetic, and regardless of the quantity of diamonds) and metal powders

(including, but not limited to, iron, cobalt, nickel, tungsten carbide) that are formed together into a solid shape (from generally, but not limited to, a heating and pressing process).

Sawblades with diamonds directly attached to the core with a resin or electroplated bond, which thereby do not contain a diamond segment, are not included within the scope of the order. Diamond sawblades and/or sawblade cores with a thickness of less than 0.025 inches, or with a thickness greater than 1.1 inches, are excluded from the scope of the order. Circular steel plates that have a cutting edge of non-diamond material, such as external teeth that protrude from the outer diameter of the plate, whether or not finished, are excluded from the scope of the order. Diamond sawblade cores with a Rockwell C hardness of less than 25 are excluded from the scope of the order. Diamond sawblades and/or diamond segment(s) with diamonds that predominantly have a mesh size number greater than 240 (such as 250 or 260) are excluded from the scope of the order. Merchandise subject to the order is typically imported under heading 8202.39.00.00 of the Harmonized Tariff Schedule of the United States (HTSUS). When packaged together as a set for retail sale with an item that is separately classified under headings 8202 to 8205 of the HTSUS, diamond sawblades or parts thereof may be imported under heading 8206.00.00.00 or 6804.21.00 of the HTSUS. The tariff classification is provided for convenience and customs purposes; however, the written description of the scope of the order is dispositive.

#### Intent to Rescind Review in Part

In accordance with 19 CFR 351.213(d)(3), the Department may rescind an administrative review, “in whole or only with respect to a particular exporter or producer, if {the Department} concludes that, during the period covered by the review, there were no entries, exports, or sales of the subject merchandise . . .” Record evidence indicates that Shanghai Deda Industry &

Trading Co., Ltd., did not have any exports of subject merchandise during the POR. *See* the February 28, 2011, submission from Shanghai Deda Industry & Trading Co., Ltd. Moreover, we have reviewed the U.S. Customs and Border Protection (CBP) entry data for the POR and found no evidence of exports from this company. *See* the memorandum entitled “Diamond Sawblades and Parts Thereof from the People’s Republic of China (‘PRC’): U.S. Customs and Border Protection (‘CBP’) Data” dated January 4, 2011. Additionally, on October 24, 2011, we requested that CBP report any contrary information. To date, we have not received any evidence that this company had any shipments to the United States of subject merchandise during the POR. Therefore, pursuant to 19 CFR 351.213(d)(3), the Department intends to rescind this review in part with respect to Shanghai Deda Industry & Trading Co., Ltd.

#### Non-Market Economy Country Status

The Department considers the PRC to be a non-market economy (NME) country. In accordance with section 771(18)(C)(i) of the Act, any determination that a country is an NME country shall remain in effect until revoked by the administering authority. *See Brake Rotors From the People's Republic of China: Preliminary Results and Partial Rescission of the 2004/2005 Administrative Review and Preliminary Notice of Intent To Rescind the 2004/2005 New Shipper Review*, 71 FR 26736 (May 8, 2006), unchanged in *Brake Rotors From the People’s Republic of China: Final Results and Partial Rescission of the 2004/2005 Administrative Review and Notice of Rescission of 2004/2005 New Shipper Review*, 71 FR 66304 (November 14, 2006). None of the parties to this proceeding has contested NME treatment for the PRC. Therefore, for the preliminary results of this review, we have treated the PRC as an NME country and applied our current NME methodology in accordance with section 773(c) of the Act.

### Surrogate Country

In antidumping proceedings involving NME countries, pursuant to section 773(c)(1) of the Act, the Department generally bases normal value on the value of the NME producer's factors of production (FOP). In accordance with section 773(c)(4) of the Act, in valuing the FOP, the Department uses to the extent possible the prices or costs of the FOP in one or more market economy countries that are (1) at a level of economic development comparable to that of the NME country and (2) significant producers of merchandise comparable to the subject merchandise. Moreover, as we stated in Policy Bulletin No. 04.1: Non-Market Economy Surrogate Country Selection Process, dated March 1, 2004, it is the Department's practice to select an appropriate surrogate country based on the availability and reliability of data from these countries.

The Department has determined that India, Indonesia, Peru, the Philippines, Thailand, and Ukraine are countries that are at a level of economic development comparable to that of the PRC. *See* the memorandum entitled "Request for a List of Surrogate Countries for an Administrative Review of the Antidumping Duty Order on Diamond Sawblades and Parts Thereof ('Diamond Sawblades') from the People's Republic of China ('China')" dated May 9, 2011. On June 23, 2011, we issued a letter inviting comments on the selection of surrogate country and surrogate value. *See* the June 23, 2011, letter to all interested parties.

On August 11, 2011, the petitioner<sup>1</sup> and the respondents selected for individual examination recommended that the Department select India as the surrogate country. On August 25, 2011, Bosun Tools Co., Ltd., and the respondents selected for individual examination submitted information concerning surrogate values based on Indian statistics. For the

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<sup>1</sup> Diamond Sawblades Manufacturers Coalition.

preliminary results, we have selected India as the surrogate country and used Indian statistics for surrogate values. *See* the memorandum entitled “Diamond Sawblades and Parts Thereof from the People’s Republic of China: Selection of a Surrogate Country” dated November 30, 2011.

#### Affiliation

In the less-than-fair-value investigation, we determined that ATM, BGY, and Yichang HXF Circular Saw Industrial Co., Ltd. (HXF), were a single entity and calculated a single antidumping duty margin for this single entity. *See LTFV Final*, 71 FR at 29304, 29306-07. We also determined that BGY and Gang Yan Diamond Products, Inc. (GYDP) were affiliated and that GYDP, SANC Materials, Inc., and Cliff were affiliated with each other. *Id.*

For the preliminary results of this review, we find that ATM, BGY, and HXF continue to be affiliated as the facts are similar to those at the time of the investigation. Moreover, record evidence indicates that BGY determines the prices of the subject merchandise Cliff exports to the United States and thus controls Cliff’s business operations with respect to exports of the subject merchandise. For this reason, we preliminarily find that BGY and Cliff are affiliated pursuant to section 771(33)(G) of the Act and 19 CFR 351.102(b)(3). We also preliminarily find that ATM and AT&M International Trading Co., Ltd. (ATMI) were affiliates pursuant to sections 771(33)(E) and (G) of the Act and 19 CFR 351.102(b)(3) for a majority of the POR. For the remainder of the POR, we find that ATM and ATMI were affiliates pursuant to section 771(33)(F) of the Act and 19 CFR 351.102(b)(3). For more details on these companies’ affiliation status, which includes these companies’ business proprietary information, *see* the memorandum entitled “Diamond Sawblades and Parts Thereof from the People’s Republic of China: Determination to Include Additional Companies in the ATM Single Entity” dated November 30, 2011. Because ATM, BGY, HXF, Cliff, and ATMI (collectively ATM Single

Entity)<sup>2</sup> are affiliated respondents in this review, we treated these five companies as a single entity for purposes of calculating a single margin for these preliminary results.

### Separate Rates

A designation of a country as an NME remains in effect until it is revoked by the Department. *See* section 771(18)(C) of the Act. In proceedings involving NME countries, the Department has a rebuttable presumption that all companies within the country are subject to government control and thus should be assessed a single antidumping duty rate. *See, e.g., Notice of Final Determination of Sales at Less Than Fair Value, and Affirmative Critical Circumstances, In Part: Certain Lined Paper Products From the People's Republic of China*, 71 FR 53079 (September 8, 2006), and *LTFV Final*.

In the *Initiation Notice*, the Department notified parties of the application process by which exporters and producers may obtain separate rate status in NME proceedings. *See Initiation Notice*, 75 FR at 81566. It is the Department's policy to assign all exporters of merchandise subject to a proceeding involving an NME country this single rate unless an exporter can demonstrate that it is sufficiently independent from the government so as to be entitled to a separate rate. The Department assigns separate rates in NME proceedings only if respondents can demonstrate the absence of both *de jure* and *de facto* government control over export activities under a test developed by the Department and described in *Final Determination of Sales at Less Than Fair Value: Sparklers From the People's Republic of China*, 56 FR 20588 (May 6, 1991) (*Sparklers*), and *Notice of Final Determination of Sales at Less Than Fair Value:*

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<sup>2</sup> The ATM Single Entity submitted information showing that HXF changed its name in December 2008 from Yichang HXF Circular Saw Industrial Co., Ltd., a company for which we initiated this review in *Initiation Notice*, 75 FR at 81568, to HXF Saw Co., Ltd. *See* the ATM Single Entity's November 14, 2011, supplemental response at 1-2 and Exhibit SA2-1. The ATM Single Entity also reported that ATM International Trading Co., Ltd., a company for which we initiated this review in *Initiation Notice*, 75 FR at 81567, is the same company as ATMI. *See* the ATM Single Entity's November 17, 2011, supplemental response at 1.



*Silicon Carbide From the People's Republic of China*, 59 FR 22585 (May 2, 1994) (*Silicon Carbide*).

In this review, the following companies submitted separate rate applications:

ASHINE Diamond Tools Co., Ltd.

Bosun Tools Co., Ltd.<sup>3</sup>

Danyang Hantronic Import & Export Co., Ltd.

Danyang Huachang Diamond Tools Manufacturing Co., Ltd.

Hangzhou Deer King Industrial & Trading Co., Ltd.

Hebei Husqvarna-Jikai Diamond Tools Co., Ltd.

Hebei XMF Tools (Group) Co., Ltd.

Henan Huanghe Whirlwind Co., Ltd.

Henan Huanghe Whirlwind International Co., Ltd.

Huzhou Gu's Import & Export Co., Ltd.

Jiangsu Fengtai Diamond Tool Manufacture Co., Ltd.

Jiangsu Inter-China Group Corporation<sup>4</sup>

Jiangsu Youhe Tool Manufacturer Co., Ltd.<sup>5</sup>

Rizhao Hein Saw Co., Ltd.

Saint-Gobain Abrasives (Shanghai) Co., Ltd.<sup>6</sup>

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<sup>3</sup> Bosun Tools Co., Ltd., submitted information showing that it was previously known as Bosun Tools Group Co., Ltd., a company for which we initiated this review in *Initiation Notice*, 75 FR at 81567. *See, inter alia*, Bosun Tools Co., Ltd.'s February 28, 2011, separate rate application at Exhibit 5.

<sup>4</sup> Jiangsu Inter-China Group Corporation submitted information showing that it was previously known as Zhenjiang Inter-China Import & Export Co., Ltd., a company for which we initiated this review in *Initiation Notice*, 75 FR at 81567. *See* Jiangsu Inter-China Group Corporation's February 28, 2011, separate rate application at Exhibit 3.

<sup>5</sup> Jiangsu Youhe Tool Manufacturer Co., Ltd., submitted information showing that it was previously known as Danyang Youhe Tool Manufacturer Co., Ltd., a company for which we initiated this review in *Initiation Notice*, 75 FR at 81567. *See* Jiangsu Youhe Tool Manufacturer Co., Ltd.'s February 28, 2011, separate rate application at 3 and Exhibit 1.

Shanghai Robtol Tool Manufacturing Co., Ltd.

Xiamen ZL Diamond Technology Co., Ltd.<sup>7</sup>

Also, the following companies submitted separate rate certifications:

Chengdu Huifeng Diamond Tools Co., Ltd.

Danyang NYCL Tools Manufacturing Co., Ltd.

Fujian Quanzhou Wanlong Stone Co., Ltd.

Guilin Tebon Superhard Material Co., Ltd.

Qingdao Shinhan Diamond Industrial Co., Ltd.

Quanzhou Zhongzhi Diamond Tool Co. Ltd.

Shijiazhuang Global New Century Tools Co., Ltd.

Wuhan Wanbang Laser Diamond Tools Co.

Zhejiang Wanli Tools Group Co., Ltd.<sup>8</sup>

Additionally, the Department received complete responses for the antidumping questionnaires which contain additional information pertaining to the company's eligibility for a separate rate from the following respondents selected for individual examination:

ATM Single Entity

Weihai Xiangguang Mechanical Industrial Co., Ltd.

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<sup>6</sup> Saint-Gobain Abrasives (Shanghai) Co., Ltd., reported that Saint-Gobain Abrasives Inc., a company for which we initiated this review in *Initiation Notice*, 75 FR at 81568, is its U.S. affiliate. See Saint-Gobain Abrasives (Shanghai) Co., Ltd.'s February 28, 2011, separate rate application at 8.

<sup>7</sup> Xiamen ZL Diamond Tools Co., Ltd., a company for which we initiated this review in *Initiation Notice*, 75 FR at 81568, submitted information showing that it changed its name to Xiamen ZL Diamond Technology Co., Ltd., during the POR. See Xiamen ZL Diamond Technology Co., Ltd.'s January 14, 2011, separate rate application at 3 and Exhibit 4.

<sup>8</sup> In *Initiation Notice*, we initiated the review for Zhejiang Wanli Tools Group Co., Ltd., aka Wanli Tools Group. See *Initiation Notice*, 75 FR at 81568. In its separate rate certification, Zhejiang Wanli Tools Group Co., Ltd., certified that it used the same trade name as identified in the investigation, which is Zhejiang Wanli Tools Group Co., Ltd. See Zhejiang Wanli Tools Group Co., Ltd.'s February 28, 2011, separate rate certification at 3 and *LTFV Final*.

### *Absence of De Jure Control*

The Department considers the following *de jure* criteria in determining whether an individual company may be granted a separate rate: (1) an absence of restrictive stipulations associated with an individual exporter's business and export licenses; (2) any legislative enactments decentralizing control of companies; (3) any other formal measures by the government decentralizing control of companies. *See Sparklers*, 56 FR at 20589.

The companies listed above have placed on the administrative record both a copy of their business licenses and export licenses. The selected respondents and companies that filed separate rate applications also placed on the administrative record a copy of their articles of association. None of these documents contains restrictions with respect to export activities.

In their submissions, the companies listed above stated that they are independent legal entities and placed evidence on the record of the review indicating that the government of the PRC does not have *de jure* control over their export activities. The companies listed above submitted evidence of their legal right to set prices independent of all governmental oversight. Furthermore, the business licenses of these companies indicate that they are permitted to engage in the exportation of diamond sawblades. We also found no evidence of *de jure* government control restricting these companies' exportation of the subject merchandise.

The Department has found previously that the *Company Law of the People's Republic of China (Company Law)* indicates a lack of *de jure* government control. *See, e.g., Freshwater Crawfish Tail Meat From the People's Republic of China: Preliminary Results of Antidumping Duty Administrative and New-Shipper Reviews*, 75 FR 34100, 34103 (June 16, 2010), unchanged in *Freshwater Crawfish Tail Meat From the People's Republic of China: Final Results of Antidumping Duty Administrative and New-Shipper Reviews*, 75 FR 79337 (December 20, 2010).

The *Company Law* governs business activities of the companies listed above, made effective on July 1, 1994, with the amended version promulgated on August 28, 2004, and states that a company is an enterprise legal person, that shareholders shall assume liability towards the company to the extent of their shareholdings, and that the company shall be liable for its debts to the extent of all its assets. *Id.*

Additionally, the *Foreign Trade Law of the People's Republic of China* also indicates a lack of *de jure* government control. *Id.* Specifically, this document identifies the rights and responsibilities of organizations engaging in foreign trade, grants autonomy to foreign-trade operators in management decisions, and establishes the foreign-trade operator's accountability for profits and losses. *Id.* Based on the foregoing, the Department has preliminarily determined that there is an absence of *de jure* governmental control over the export activities of these companies listed above.

#### *Absence of De Facto Control*

As stated in previous cases, there is some evidence that certain enactments of the PRC central government have not been implemented uniformly among different sectors and/or jurisdictions in the PRC. *See Silicon Carbide*, 59 FR at 22587. Therefore, the Department has determined that an analysis of *de facto* control is critical in determining whether the respondents are, in fact, subject to a degree of government control which would preclude the Department from assigning separate rates. The Department typically considers the following four factors in evaluating whether a respondent is subject to *de facto* government control of its export functions: (1) whether the export prices are set by, or subject to the approval of, a government agency; (2) whether the respondent has the authority to negotiate and sign contracts and other agreements; (3) whether the respondent has autonomy from the government in making decisions regarding

the selection of management; (4) whether the respondent retains the proceeds of its export sales and makes independent decisions regarding the disposition of profits or financing of losses. *See Silicon Carbide*, 59 FR at 22586-87, and *Notice of Final Determination of Sales at Less Than Fair Value: Furfuryl Alcohol From the People's Republic of China*, 60 FR 22544, 22545 (May 8, 1995).

Companies listed above have each certified the following: (1) the company establishes its own export prices; (2) it negotiates contracts without guidance from any government entities or organizations; (3) it makes its own personnel decisions; (4) it retains the proceeds of its export sales, uses profits according to its business needs, and has the authority to sell its assets and to obtain loans.

Based on the information on the record of this review, the Department has preliminarily determined that there is an absence of *de facto* governmental control over the export activities of the companies listed above. Given that the Department has found that the companies listed above operate free of *de jure* and *de facto* governmental control, we have preliminarily determined that the companies listed above have satisfied the criteria for a separate rate.

#### *Separate Rate for Non-Selected Companies*

In accordance with section 777A(c)(2)(B) of the Act, we selected companies within the ATM Single Entity and Weihai for individual examination because we did not have the resources to examine all companies for which a review was requested. *See* Respondent Selection Memo.

The statute and the Department's regulations do not address the establishment of a rate to be applied to individual companies not selected for examination when the Department limits its examination in an administrative review pursuant to section 777A(c)(2) of the Act. Generally we have used section 735(c)(5) of the Act, which provides instructions for calculating the all-

others rate in an investigation, for guidance when calculating the rate for respondents we did not examine in an administrative review. Section 735(c)(5)(A) of the Act articulates a preference that we do not calculate an all-others rate using any zero or *de minimis* margins or any margins based entirely on facts available. Accordingly, the Department's usual practice has been to average the rates for the selected companies, excluding zero, *de minimis*, and rates based entirely on facts available. *See, e.g., Ball Bearings and Parts Thereof From France, Germany, Italy, Japan, and the United Kingdom: Final Results of Antidumping Duty Administrative Reviews and Rescission of Reviews in Part*, 73 FR 52823, 52824 (September 11, 2008), and the accompanying I&D Memo at Comment 16.

Because the weighted-average antidumping duty margin for the ATM Single Entity is *de minimis*, the antidumping duty margin for Weihai is the only weighted-average margin which is applicable to companies not selected for individual examination and eligible for a separate rate. Accordingly, for the preliminary results of this review, we are assigning the rate of 8.50 percent to companies not selected for individual examination and eligible for a separate rate. In assigning this separate rate, we did not impute the actions of any other companies to the behavior of the companies not individually examined but based this determination on record evidence that may be deemed reasonably reflective of the potential dumping margin for the companies not selected for individual examination and eligible for a separate rate in this administrative review.

Additionally, in its February 25, 2011, separate rate application, Hebei Husqvarna-Jikai Diamond Tools Co., Ltd., claimed that it is the successor-in-interest to Hebei Jikai Industrial Group Co., Ltd., which is another respondent in this review. The Department has determined that Hebei Husqvarna-Jikai Diamond Tools Co., Ltd., is not the successor-in-interest to Hebei Jikai Industrial Group Co., Ltd., and that Hebei Husqvarna-Jikai Diamond Tools Co., Ltd., is a

new entity. *See Diamond Sawblades and Parts Thereof From the People's Republic of China: Preliminary Results and Preliminary Intent To Terminate, in Part, Antidumping Duty Changed Circumstances Review and Extension of Time Limit for Final Results*, 76 FR 38357 (June 30, 2011), unchanged in *Diamond Sawblades and Parts Thereof From the People's Republic of China: Final Results and Termination, in Part, of the Antidumping Duty Changed Circumstances Review*, 76 FR 64898 (October 19, 2011). Accordingly, because Hebei Jikai Industrial Group Co., Ltd., did not file a separate rate application or a separate rate certification, we assigned a PRC-wide rate to this company for the preliminary results of this review.

#### U.S. Price

For the price to the United States, we used export price (EP) or constructed export price (CEP) as defined in sections 772(a) and (b) of the Act, as appropriate.

#### *Export Price Sales*

For the ATM Single Entity and Weihai, in accordance with section 772(a) of the Act, the Department calculated EP for a portion of sales to the United States because the first sale to an unaffiliated party was made before the date of importation and the use of CEP was not otherwise warranted. The Department calculated EP based on the sales price to unaffiliated purchasers in the United States. In accordance with section 772(c)(2)(A) of the Act, as appropriate, the Department deducted from the sales price expenses for certain foreign inland freight, brokerage and handling (B&H), and international movement costs. For the inland freight and B&H services provided by an NME vendor or paid for using an NME currency, the Department based the deduction of these charges on surrogate values. *See* the memorandum entitled “Diamond Sawblades and Parts Thereof from the People's Republic of China: Surrogate Value for the Preliminary Results of Review” dated November 30, 2011 (Surrogate Value Memo), for details

regarding the surrogate values for movement expenses. For international freight provided by a market economy provider and paid in U.S. dollars, the Department used the actual cost per kilogram of the freight.

#### *Constructed Export Price Sales*

For some of the U.S. sales the ATM Single Entity and Weihai reported, the Department based U.S. price on CEP in accordance with section 772(b) of the Act because sales were made on behalf of the China-based exporter by a U.S. affiliate to unaffiliated customers in the United States. For these sales, the Department based CEP on prices to the first unaffiliated purchaser in the United States. Where appropriate, the Department made deductions from the starting price (gross unit price) for foreign movement expenses, international movement expenses, U.S. movement expenses, and appropriate selling adjustments, in accordance with section 772(c)(2)(A) of the Act.

In accordance with section 772(d)(1) of the Act, the Department also deducted those selling expenses associated with economic activities occurring in the United States. The Department deducted, where appropriate, commissions, inventory carrying costs, credit expenses, warranty expenses, and indirect selling expenses. Where foreign movement expenses, international movement expenses, or U.S. movement expenses were provided by PRC service providers or paid for in renminbi, the Department valued these services using surrogate values. *See* the “Surrogate Values” section, *infra*, for further discussion. For those expenses that were provided by a market economy provider and paid for in a market economy currency, the Department used the reported expense. Due to the proprietary nature of certain adjustments to U.S. price, *see* the company-specific analysis memoranda dated November 30, 2011, for a detailed description of all adjustments made to U.S. price for each company.



### *Further Manufactured Sales*

The ATM Single Entity reported sales of subject merchandise that its U.S. affiliate further manufactured in the United States and responded to section E of the Department's questionnaire. Section E requests data related to cost of further manufacturing or assembly performed in the United States of subject merchandise. Based on the ATM Single Entity's responses and data, we have made the deduction required by section 772(d)(2) of the Act for the costs of the further manufacturing.

On April 27, 2011, Weihai requested that the Department exempt the company from responding to section E. On June 1, 2011, we directed the company to provide the information regarding further manufacturing in section A of our questionnaire and to report its sales of further manufactured products to unaffiliated customers. *See* the June 1, 2011, letter from the Department to Weihai. Weihai submitted the requested information on June 8, 2011, and August 24, 2011, respectively. After reviewing Weihai's responses, we granted Weihai's request not to respond to section E because the total value of Weihai's U.S. sales of further manufactured products was insignificant and did not justify the extensive use of our resources to analyze those sales for the preliminary results of this review. *See Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Static Random Access Memory Semiconductors From the Republic of Korea*, 62 FR 51437, 51438 (October 1, 1997), unchanged in *Notice of Final Determination of Sales at Less Than Fair Value: Static Random Access Memory Semiconductors From the Republic of Korea*, 63 FR 8934 (February 23, 1998). For business proprietary details on our decision, *see* the Weihai preliminary analysis memorandum dated November 30, 2011.

### *Revenue Caps*

Weihai received freight revenues from its customers for certain U.S. sales. In *Certain Orange Juice from Brazil: Final Results and Partial Rescission of Antidumping Duty Administrative Review*, 73 FR 46584 (August 11, 2008), and the accompanying I&D Memo at Comment 7 and in *Polyethylene Retail Carrier Bags from the People's Republic of China: Final Results of Antidumping Duty Administrative Review*, 74 FR 6857 (February 11, 2009), and accompanying I&D Memo at Comment 6, the Department determined to treat such revenues as an offset to the specific expenses for which they were intended to compensate. Accordingly, we have used Weihai's freight revenues as an offset to its corresponding freight expenses.

### Normal Value

Section 773(c)(1) of the Act provides that the Department shall determine normal value using an FOP methodology if the merchandise is exported from an NME country and the available information does not permit the calculation of normal value using home market prices, third-country prices, or constructed value under section 773(a) of the Act. The Department uses an FOP methodology because the presence of government controls on various aspects of NMEs renders price comparisons and the calculation of production costs invalid under its normal methodologies. See *Tapered Roller Bearings and Parts Thereof, Finished or Unfinished, From the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review and Notice of Intent to Rescind in Part*, 70 FR 39744, 39754 (July 11, 2005), unchanged in *Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, from the People's Republic of China: Final Results of 2003-2004 Administrative Review and Partial Rescission of Review*, 71 FR 2517 (January 17, 2006).

In accordance with section 773(c) of the Act, we relied on the FOP data reported by the ATM Single Entity and Weihai.<sup>9</sup> We calculated normal value by adding together the value of the FOP, overhead, general expenses, profit, and packing costs. Specifically, we valued material, labor, energy, and packing by multiplying the reported per-unit rates for the factors consumed in producing the subject merchandise by the average per-unit surrogate value of the factor. In addition, we added freight costs to the surrogate costs that we calculated for material inputs. We calculated freight costs by multiplying surrogate freight rates by the shorter of the reported distance from the domestic supplier to the factory that produced the subject merchandise or the distance from the nearest seaport to the factory that produced the subject merchandise, as appropriate. This adjustment is in accordance with the decision by the United States Court of Appeals for the Federal Circuit (CAFC) in *Sigma Corp. v. United States*, 117 F.3d 1401, 1407-1408 (Fed. Cir. 1997). We increased the calculated costs of the FOP for surrogate general expenses and profit. *See* Surrogate Value Memo.

#### Surrogate Values

In selecting surrogate values, we considered the quality, specificity, and contemporaneity of the data. For these preliminary results, in selecting the best available data for valuing FOPs in accordance with section 773(c)(1) of the Act, we followed our practice of choosing publicly available values which are non-export average values, most contemporaneous with the POR, product-specific, and tax-exclusive. *See, e.g., Notice of Preliminary Determination of Sales at Less Than Fair Value, Negative Preliminary Determination of Critical Circumstances and Postponement of Final Determination: Certain Frozen and Canned Warmwater Shrimp From the Socialist Republic of Vietnam*, 69 FR 42672, 42682 (July 16, 2004), unchanged in *Final Determination of Sales at Less Than Fair Value: Certain Frozen and Canned Warmwater*

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<sup>9</sup> We based the values of the FOPs on surrogate values, as applicable. *See* the “Surrogate Values” section, *infra*.

*Shrimp From the Socialist Republic of Vietnam*, 69 FR 71005 (December 8, 2004). We also considered the quality of the source of surrogate information in selecting surrogate values. See *Notice of Final Determination of Sales at Less Than Fair Value: Certain Cased Pencils From the People's Republic of China*, 59 FR 55625, 55633 (November 8, 1994). Where we could only obtain surrogate values that were not contemporaneous with the POR, we inflated the surrogate values using, where appropriate, the Indian Wholesale Price Index (Indian WPI), as published in the *International Financial Statistics* of the International Monetary Fund. See Surrogate Value Memo.

As explained in the legislative history of the Omnibus Trade and Competitiveness Act of 1988, the Department continues to apply its long-standing practice of disregarding surrogate values if it has a reason to believe or suspect the source data may be subsidized as discussed below.<sup>10</sup> In this regard, we have found previously that it is appropriate to disregard such prices from India, Indonesia, South Korea, and Thailand because we have determined that these countries maintain broadly available, non-industry specific export subsidies.<sup>11</sup> Based on the existence of these subsidy programs that were generally available to all exporters and producers in these countries at the time of the POR, the Department finds that it is reasonable to infer that all exporters from India, Indonesia, South Korea, and Thailand may have benefitted from these

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<sup>10</sup> See Omnibus Trade and Competitiveness Act of 1988, Conf. Report to Accompany H.R. 3, H.R. Rep. No. 576, 100th Cong., 2nd Sess. (1988) at 590, reprinted in 1988 U.S.C.C.A.N. 1547, 1623-24.

<sup>11</sup> See, e.g., *Carbazole Violet Pigment 23 from India: Final Results of the Expedited Five-Year (Sunset) Review of the Countervailing Duty Order*, 75 FR 13257 (March 19, 2010), and the accompanying I&D Memo at 4-5, *Certain Cut-to-Length Carbon-Quality Steel Plate from Indonesia: Final Result of Expedited Sunset Review*, 70 FR 45692 (August 8, 2005), and the accompanying I&D Memo at 4, *Corrosion-Resistant Carbon Steel Flat Products from the Republic of Korea: Final Results of Countervailing Duty Administrative Review*, 74 FR 2512 (January 15, 2009), and the accompanying I&D Memo at 17, 19-20, and *Final Affirmative Countervailing Duty Determination: Certain Hot-Rolled Carbon Steel Flat Products from Thailand*, 66 FR 50410 (October 3, 2001), and the accompanying I&D Memo at 23.

subsidies. Additionally, we disregarded prices from NME countries.<sup>12</sup> Finally, imports that were labeled as originating from an “unspecified” country were excluded from the average value because the Department could not be certain that they were not from either an NME country or a country with generally available export subsidies.<sup>13</sup>

We used the following surrogate values in our margin calculations for these preliminary results of review. We valued raw materials, packing materials, and energy consumption (with the exception of electricity) using January 2009 – October 2010 weighted-average Indian import values derived from the *Global Trade Atlas* online (*GTA*). The Indian import statistics that we obtained from the *GTA* were published by the Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce of India, and are contemporaneous with the POR.

To value electricity, we used March 2008 electricity price rates from *Electricity Tariff & Duty and Average Rates of Electricity Supply in India*, published by the Central Electricity Authority of the Government of India. As the rates listed in this source became effective on a variety of different dates, we are not adjusting the average value for inflation.

We valued truck-freight expenses using an average of the per-unit average rates for January 2009, April 2009, July 2009, October 2009, January 2010, April 2010, July 2010, and October 2010 which we calculated from data at [www.infobanc.com/logistics/logtruck.htm](http://www.infobanc.com/logistics/logtruck.htm). The logistics section of this website contains rates for inland-freight trucking between many large Indian cities. We inflated or deflated, depending on the month, the per-unit average truck-freight

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<sup>12</sup> See, e.g., *Certain Kitchen Appliance Shelving and Racks From the People’s Republic of China: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 74 FR 9591, 9600 (March 5, 2009), unchanged in *Certain Kitchen Appliance Shelving and Racks From the People’s Republic of China: Final Determination of Sales at Less Than Fair Value*, 74 FR 36656 (July 24, 2009).

<sup>13</sup> *Id.*

rates for the selected months of the POR using the Indian WPI to make it contemporaneous with the POR.

We valued B&H expenses using a price list of export procedures necessary to export a standardized cargo of goods in India. The price list is compiled based on a survey case study of the procedural requirements for trading a standard shipment of goods by ocean transport in India that is published in *Doing Business 2011: India*, published by the World Bank. Because these data were current throughout the POR, we did not inflate the value for B&H. See Surrogate Value Memo for further details.

We valued international freight using the data obtained from the Descartes Carrier Rate Retrieval Database (Descartes) which is available at <http://descartes.com/>. The Descartes database is a web-based service which publishes the ocean freight rates of numerous carriers. In the less-than-fair-value investigation of the subject merchandise, the Department did not use the Descartes database as an ocean freight surrogate value source because the data did not appear to be publicly available. Upon reexamination, we have found that this database is accessible to government agencies without charge in compliance with Federal Maritime Commission regulations and, thus, we now find that this is a publicly available source.

In addition to being publicly available, the Descartes data reflect rates for multiple carriers, the website reports rates on a daily basis, the price data are based on routes that correspond closely to those used by a respondent, and they reflect merchandise similar to subject merchandise. Therefore, the Descartes data are product-specific, publicly available, a broad-market average, and contemporaneous with the POR. Accordingly, we find that the Descartes database is the best available source for valuing international freight on the record of this review because it provides rates that are representative of the entire POR and a broader representation of

product-specificity.

While we find that the Descartes database is the best available source on the record of the review for valuing international freight, to make the source less impractical, we had to define certain parameters in our selection of data. For example, we calculated the period-average international freight rate by obtaining rates from multiple carriers for a single day in each quarter of the POR. Further, we did not include rates in the period-average international freight calculation that we determined were from NME carriers. Additionally, we excluded from any individual rate calculation any charges that are covered by the B&H expenses that a respondent incurred and which are valued by the appropriate surrogate value. *See* Surrogate Value Memo for further details.

We valued international air freight using rates obtained from DHL Hong Kong. *See* Surrogate Value Memo. We valued marine insurance using a price quote retrieved from RJG Consultants, online at <http://www.rjgconsultants.com/163.html>, a market economy provider of marine insurance. We did not inflate this rate because it is contemporaneous with the POR. *Id.*

Previously, with respect to valuation of labor inputs, the Department used regression-based wages that captured the worldwide relationship between *per capita* Gross National Income (GNI) and hourly manufacturing wages pursuant to 19 CFR 351.408(c)(3) to value the respondent's cost of labor. On May 14, 2010, the CAFC in *Dorbest Ltd. v. United States*, 604 F.3d 1363, 1372 (Fed. Cir. 2010) (*Dorbest*), invalidated 19 CFR 351.408(c)(3). As a consequence of the CAFC's ruling in *Dorbest*, the Department no longer relies on the regression-based wage rate methodology described in its regulations. On February 18, 2011, the Department published in the *Federal Register* a request for public comment on the interim methodology and the data sources. *See Antidumping Methodologies in Proceedings Involving*

*Non-Market Economies: Valuing the Factor of Production: Labor; Request for Comment*, 76 FR 9544 (February 18, 2011).

On June 21, 2011, the Department revised its methodology for valuing the labor input in NME antidumping proceedings. See *Antidumping Methodologies in Proceedings Involving Non-Market Economies: Valuing the Factor of Production: Labor*, 76 FR 36092 (June 21, 2011) (*Labor Methodologies*). In *Labor Methodologies*, the Department determined that the best methodology to value the labor input is to use industry-specific labor rates from the primary surrogate country. Additionally, the Department determined that the best data source for industry-specific labor rates is Chapter 6A: Labor Cost in Manufacturing, from the International Labor Organization (ILO) Yearbook of Labor Statistics (Yearbook).

For the preliminary results, we have calculated the labor inputs using the method described in *Labor Methodologies*. To value the labor inputs, we relied on data reported by India to the ILO in Chapter 6A of the Yearbook. We find further that the two-digit description under ISIC-Revision 3, *i.e.*, 28 – “Manufacture of Fabricated Metal Products, except Machinery and Equipment,” is the best available information on the record because it is specific to the industry being examined and is therefore derived from industries that produce comparable merchandise. Specifically, this category captures class 2893 – “Manufacture of cutlery, hand tools and general hardware” and “includes the manufacture of . . . saws and sawblades including circular sawblades and chainsaw blades.” Accordingly, relying on Chapter 6A of the Yearbook, we calculated the labor inputs using labor data reported by India to the ILO under Sub-Classification 28 of the ISIC-Revision 3 standard in accordance with section 773(c)(4) of the Act. The ILO data reported under Chapter 6A of the Yearbook reflects all costs related to labor, including wages, benefits, housing, training, *etc.* A more detailed description of the wage-rate calculation



methodology is provided in the Surrogate Value Memo.

We valued factory overhead costs, selling, general, and administrative expenses, and profit using the 2010-11 financial statements of Carborundum Universal Limited, an Indian abrasives manufacturer. *See* Surrogate Value Memo. Because the financial statements used to calculate the surrogate financial ratios do not include an itemized detail of labor costs, we did not make adjustments to certain labor costs in the surrogate financial ratios. *See Labor Methodologies*, 76 FR at 36093.

#### Currency Conversion

We made currency conversions into U.S. dollars in accordance with section 773A(a) of the Act based on the exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank. These exchange rates are available on the Import Administration website at <http://ia.ita.doc.gov/exchange/index.html>.

#### Preliminary Results of Review

As a result of the administrative review, we preliminarily determine that the following weighted-average percentage dumping margins exist for the period January 23, 2009, through October 31, 2010:

<u>Company</u>	<u>Margin (percent)</u>
Advanced Technology & Materials Co., Ltd.	0.14
ASHINE Diamond Tools Co., Ltd.	8.50
AT&M International Trading Co., Ltd.	0.14
Beijing Gang Yan Diamond Products Co.	0.14
Bosun Tools Co., Ltd.	8.50
Central Iron and Steel Research Institute Group	164.09

Chengdu Huifeng Diamond Tools Co., Ltd.	8.50
Cliff International Ltd. <sup>14</sup>	0.14
Danyang Aurui Hardware Products Co., Ltd.	164.09
Danyang Dida Diamond Tools Manufacturing Co., Ltd.	164.09
Danyang Hantronic Import & Export Co., Ltd.	8.50
Danyang Huachang Diamond Tools Manufacturing Co., Ltd.	8.50
Danyang NYCL Tools Manufacturing Co., Ltd.	8.50
Danyang Tsunda Diamond Tools Co., Ltd.	164.09
Danyang Weiwang Tools Manufacturing Co., Ltd.	164.09
Electrolux Construction Products (Xiamen) Co. Ltd.	164.09
Fujian Quanzhou Wanlong Stone Co., Ltd.	8.50
Guilin Tebon Superhard Material Co., Ltd.	8.50
Hangzhou Deer King Industrial & Trading Co., Ltd.	8.50
Hebei Husqvarna-Jikai Diamond Tools Co., Ltd.	8.50
Hebei Jikai Industrial Group Co., Ltd.	164.09
Hebei XMF Tools (Group) Co., Ltd.	8.50
Henan Huanghe Whirlwind Co., Ltd.	8.50
Henan Huanghe Whirlwind International Co., Ltd.	8.50
Hua Da Superabrasive Tools Technology Co., Ltd.	164.09
Huachang Diamond Tools Manufacturing Co., Ltd.	164.09
Huzhou Gu's Import & Export Co., Ltd.	8.50
HXF Saw Co., Ltd.	0.14

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<sup>14</sup> Cliff International Ltd. also used the company name Cliff (Tianjin) International Ltd., according to various documents provided in the ATM Single Entity's May 10, 2011, section A response.

Jiangsu Fengtai Diamond Tool Manufacture Co., Ltd.	8.50
Jiangsu Fengyu Tools Co., Ltd.	164.09
Jiangyin Likn Industry Co., Ltd.	164.09
Jiangsu Inter-China Group Corporation.	8.50
Jiangsu Youhe Tool Manufacturer Co., Ltd.	8.50
Protech Diamond Tools	164.09
Pujiang Talent Diamond Tools Co., Ltd.	164.09
Qingdao Shinhan Diamond Industrial Co., Ltd.	8.50
Quanzhou Shuangyang Diamond Tools Co., Ltd.	164.09
Quanzhou Zhongzhi Diamond Tool Co. Ltd.	8.50
Rizhao Hein Saw Co., Ltd.	8.50
Saint-Gobain Abrasives (Shanghai) Co., Ltd.	8.50
Shanghai Robtol Tool Manufacturing Co., Ltd.	8.50
Shijiazhuang Global New Century Tools Co., Ltd.	8.50
Sichuan Huili Tools Co.	164.09
Task Tools & Abrasives	164.09
Weihai Xiangguang Mechanical Industrial Co., Ltd.	8.50
Wuhan Wanbang Laser Diamond Tools Co.	8.50
Wuxi Lianhua Superhard Material Tools Co., Ltd.	164.09
Xiamen ZL Diamond Technology Co., Ltd.	8.50
Zhejiang Tea Import & Export Co., Ltd.	164.09
Zhejiang Wanda Import and Export Co.	164.09
Zhejiang Wanda Tools Group Corp.	164.09

Zhejiang Wanli Super-hard Materials Co., Ltd.

164.09

Zhejiang Wanli Tools Group Co., Ltd.

8.50

### Comments

We will disclose the calculations used in our analysis to interested parties to this review within five days of the date of publication of this notice. *See* 19 CFR 351.224(b). Interested parties may submit publicly available information to value factors no later than 20 days after the date of publication of these preliminary results of review. *See* 19 CFR 351.301(c)(3)(ii).

Case briefs from interested parties may be submitted not later than 30 days after the date of publication of this notice of preliminary results of review. *See* 19 CFR 351.309(c)(1)(ii).

Rebuttal briefs from interested parties, limited to the issues raised in the case briefs, may be submitted not later than five days after the time limit for filing the case briefs or comments. *See* 19 CFR 351.309(d)(1).

Any interested party may request a hearing no later than the date on which the case briefs are due. *See* 19 CFR 351.310. Interested parties who wish to request a hearing or to participate in a hearing if a hearing is requested must submit a written request to the Assistant Secretary for Import Administration. Requests should contain the following information: (1) The party's name, address, and telephone number; (2) the number of participants; (3) a list of issues to be discussed. *See* 19 CFR 351.310(c). Issues raised in the hearing will be limited to those raised in the case briefs. *See* 19 CFR 351.310(c).

If requested, any hearing will be held two days after the scheduled date for submission of rebuttal briefs. *See* 19 CFR 351.310(d). Parties who submit case briefs or rebuttal briefs in this review are requested to submit with each argument a statement of the issue, a summary of the arguments not exceeding five pages, and a table of statutes, regulations, and cases cited. *See* 19

CFR 351.309(c)(2).

The Department intends to issue the final results of this administrative review, including the results of its analysis of issues raised in any such written briefs or at the hearing, if held, not later than 120 days after the date of publication of this notice. *See* section 751(a)(3)(A) of the Act.

#### Assessment Rates

The Department shall determine, and CBP shall assess, antidumping duties on all appropriate entries. In accordance with 19 CFR 351.212(b)(1), we have calculated, whenever possible, an exporter/importer (or customer)-specific assessment rate or value for merchandise subject to this review as described below. We intend to issue assessment instructions to CBP 15 days after the date of publication of the final results of review.

#### Cash Deposit Requirements

The following cash deposit requirements will be effective upon publication of the final results of review for all shipments of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the publication date as provided by section 751(a)(2)(C) of the Act: (1) for subject merchandise exported by the ATM Single Entity and Weihai, the cash deposit rate will be that established in the final results of review; (2) for previously investigated companies not listed above that have separate rates, the cash deposit rate will continue to be the company-specific rate published for the investigation; (3) for all other PRC exporters of subject merchandise which have not been found to be entitled to a separate rate, the cash deposit rate will be PRC-wide rate of 164.09 percent; (4) for all non-PRC exporters of subject merchandise the cash deposit rate will be the rate applicable to the PRC entity that supplied that exporter. These deposit requirements, when imposed, shall remain in effect until further notice.

### Notification to Importers

This notice also serves as a preliminary reminder to importers of their responsibility under 19 CFR 351.402(f)(2) to file a certificate regarding the reimbursement of antidumping duties prior to liquidation of the relevant entries during this review period. Failure to comply with this requirement could result in the Secretary's presumption that reimbursement of antidumping duties occurred and the subsequent assessment of double antidumping duties.

This review and notice are in accordance with sections 751(a)(1), 751(a)(2)(B)(iv), 751(a)(3), and 777(i) of the Act.

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Paul Piquado  
Assistant Secretary  
for Import Administration

\_November 30, 2011\_\_\_\_  
Date

[FR Doc. 2011-31281 Filed 12/05/2011 at 8:45 am; Publication Date: 12/06/2011]